

STATE OF ALASKA

Exhibit "K"
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

F. J. H. MURKOWSKI, GOVERNOR

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Sarah Palin, Commissioner
AOGCC
333 W 7th Ave # 100
Anchorage, Alaska 99501-3539

September 25, 2003

RECEIVED
JAN 21 2005

DIVISION OF
OIL AND GAS


RE: Nicolai Creek Unit, Letter supporting production petition and setting out interim royalty payment methodology. Well Nos. 1B, 2, and 9

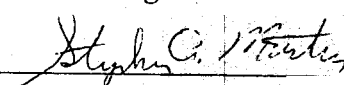

Dear Ms. Palin

The Department of Natural Resources (DNR), the Bureau of Land Management (BLM), and the Mental Health Trust Land Office (TLO) support Aurora Gas, LLC's (Aurora) petition to the AOGCC to allow Aurora to begin production from the Nicolai Creek Unit No. 1B, No. 2, and No. 9 (formerly well No. 8) wells, as soon as the facilities are completed. Aurora is currently prohibited from placing these wells on regular production under Conservation Order No. 478, dated September 5, 2002.

Aurora has acquired new 3-D seismic data over the area and is currently working with the DNR and BLM to revise the existing participating areas and the unit area. In order to ensure the royalties are paid to the proper parties and allow development to proceed timely, Aurora will report production from wells number 1B and 2 to the Division of Oil and Gas (Division) using accounting unit code NCPA and a 5% royalty rate. Aurora will report production from the number 9 well on lease AA 8426 to BLM using a 12.5% royalty rate. If the Division and BLM approves Aurora's forthcoming application to revise the PA and unit area and the new tract participation percentages, Aurora will submit revised royalty and operator reports to BLM and the Division back to the first day of production as provided for under Section 11 of the Nicolai Creek Unit Agreement.

Signatures of the parties agreeing to this royalty payment methodology are set out below. If you have any questions regarding this letter contact Mr. Christopher Ruff with the Division at 907-269-8451.

Sincerely,

for Mark D. Myers
Director

	Printed Name	Title	Signature	Date
BLM	Stephen A. Martinez			
TLO	Wendy C. Wolf	Deputy Director		7/25/06